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Date:
February 20, 2014

Legend

Parent

Exchange

Sub 1

Sub 2

Sub 3

Sub 4

FSub 1

FSub 2

PLR-136921-13

2

FSub 3

FSub 4

FSub 5

FSub 6

FDRE 1

Distributing 1

Distributing 2

Controlled 1

Controlled 2

Newco

State A

State B

State C

Business A

Business B

Businesss C

Country A

Country B

Country C

Country D

Country E

Country F

Country G

Country H

Country I

Date 1

Date 2

Date 3

Date 4

a

b

cdefg

Dear _____ :

This letter responds to your August 20, 2013 request for rulings on certain federal income tax consequences of a series of proposed transaction described below (the "Proposed Transaction"). The information submitted in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. Moreover, this office has not reviewed any information pertaining to, and has made no determination regarding, whether any of the distributions described below: (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation or both (see § 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation (see § 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

SUMMARY OF FACTS

Parent, a State A corporation, is the common parent of an affiliated group of corporations that join in the filing of a consolidated federal income tax return (the "Parent Group"). Parent has a single class of stock that is publicly traded on Exchange.

Parent owns all of the outstanding shares of Sub 1, a State A corporation. Sub 1 owns all of the outstanding shares of Distributing 2, a State C corporation. Distributing 2 owns all of the outstanding shares of Distributing 1, a State B Corporation. Distributing 2 also owns all of the outstanding shares of Controlled 1, a Country A

corporation. Distributing 1 owns all of the outstanding shares of Controlled 2, a Country B corporation.

Sub 1 also owns all of the outstanding shares of Sub 2, a State A corporation. Sub 2 owns all of the outstanding shares of Sub 3, a Country C corporation that is treated as a U.S. corporation for federal income tax purposes. Sub 3 owns all the shares of Sub 4, a State A corporation. Sub 1, Sub 2, Sub 3, Sub 4, Distributing 2 and Distributing 1 join in the filing of the Parent Group return.

Sub 4 owns all the outstanding shares of FSub 1, a Country D corporation. FSub 1 owns all the outstanding shares of FSub 2, a Country E corporation. Sub 4 also owns all of the outstanding shares of FSub 3, a Country F corporation. FSub 3 owns all of the outstanding shares of the following entities: FSub 4, a Country G corporation, FSub 5, a Country F corporation and FSub 6, a Country H corporation. Sub 1, Distributing 2 and Distributing 1 join in the filing of the Parent Group return.

Distributing 2 (through its separate affiliated group (SAG) (Distributing 2 SAG)) is engaged in Business A. Distributing 1 (through its separate affiliated group (SAG) (Distributing 1 SAG)) is engaged in Business A. Controlled 1 is engaged in Business B. Controlled 2 is engaged in Business C. Financial data for Business A, Business B, and Business C shows each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

PROPOSED TRANSACTION

For what is represented to be valid business reasons, Parent has proposed and partially completed the following steps of the Proposed Transaction:

- (i) On Date 1, FSub 3 formed a new private limited company organized in Country I (FDRE 1). FDRE 1 elected to be classified as an entity disregarded as separate from its owner for U.S. federal income tax purposes.
- (ii) On Date 2, FSub 1 sold a% of its shares of FSub 2 to FSub 6 in exchange for a note equal to the amount of b ("Tranche 1 Note"). The Tranche 1 Note bears interest at a floating rate of c and has a stated maturity of Date 3. Taxpayer represents that the Tranche 1 Note is debt for federal income tax purposes.
- (iii) On Date 4 FSub 3 contributed the shares of FSub 5 and FSub 6 to FDRE 1.
- (iv) FSub 1 will sell its remaining d% interest in FSub2 to FSub 6 in exchange for a note in an amount equal to the value of the FSub 2 shares transferred (approximately e) (the "Tranche 2 Note"). The Tranche 2 Note will bear

interest at a floating rate of \underline{f} and is expected to have a maturity date of Date 3.

- (v) FDRE 1 will contribute the shares of FSub 5 to FSub 6.
- (vi) FSub 3 will migrate its domicile from Country F to Country C.
- (vii) Distributing 2 will distribute all of the shares of Controlled 1 to Sub 1 (Distribution 1).
- (viii) Sub 1 will contribute the shares of Controlled 1, through successive contributions, to Sub 2, Sub 3 and Sub 4, then to FSub 3 in exchange for both voting and non-voting shares of FSub 3, and ultimately to FDRE 1.
- (ix) Distributing 1 will transfer all of the outstanding shares of Controlled 2 directly to FDRE 1, without receiving any shares or other consideration in exchange therefor. The transfer is proposed to be treated for federal income tax purposes as a distribution of Controlled 2 shares to Distributing 2 (Distribution 2), a distribution of such shares to Sub 1 (Distribution 3), and a series of constructive contributions of the same shares to FDRE 1. Taxpayer represents that Distributing 1 must transfer its shares of Controlled 2 in this manner, in order to satisfy Country B regulatory requirements.
- (x) FSub 3 will form Newco, a Country I corporation treated as a U.S. corporation for federal income tax purposes.
- (xi) FSub 3 will transfer all of its interest in FDRE 1 to Newco in exchange for Newco shares and a promissory note (the "Newco Note"). The Newco Note will bear interest at a fixed rate consistent with arm's length terms and is expected to have a stated maturity of \underline{g} years, with the ability to extend or prepay. Taxpayer represents that the Newco Note is debt for federal income tax purposes.

REPRESENTATIONS RELATING TO DISTRIBUTION 1

- a) Any indebtedness owed by Controlled 1 to Distributing 2 after Distribution 1 will not constitute stock or securities.
- b) No part of the consideration to be distributed by Distributing 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- c) Each of Distributing 2 and Controlled 1 will treat all members of its respective separate affiliated groups as defined in section 355(b)(3)(B) (the "Distributing 2

SAG” and the “Controlled 1 SAG”, respectively) as one corporation in determining whether the requirements of section 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

- d) The five years of financial information submitted on behalf of Business A conducted by the Distributing 2 SAG is representative of the present operation of such business, and there have been no substantial operational changes in such business since the date of the last financial statements submitted.
- e) The five years of financial information submitted on behalf of Business B conducted by the Controlled 1 SAG is representative of the present operation of such business, and there have been no substantial operational changes in such business since the date of the last financial statements submitted.
- f) Following Distribution 1, the Distributing 2 SAG will be directly engaged in the active conduct of Business A, independently and with its separate employees.
- g) Following Distribution 1, the Controlled 1 SAG will be directly engaged in the active conduct of Business B, independently and with its separate employees.
- h) The Distributing 2 SAG neither acquired the Business A nor acquired control of an entity conducting Business A during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business A. Throughout the five-year period preceding Distribution 1, the Distributing 2 SAG will have been the principal owner of the goodwill, if any, and significant assets of Business A. Following Distribution 1, the Distributing 2 SAG will continue to be the principal owner of the goodwill, if any, and significant assets of Business A.
- i) The Controlled 1 SAG neither acquired Business B nor acquired control of an entity conducting Business B during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business B. Throughout the five-year period preceding Distribution 1, the Controlled 1 SAG will have been the principal owner of the goodwill, if any, and significant assets of Business B. Following Distribution 1, the Controlled 1 SAG will be the principal owner of the goodwill, if any, and significant assets of Business B.
- j) Distribution 1 is carried out for the following corporate business purposes: (i) to achieve meaningful cost savings with respect to regulatory compliance and administration; (ii) to enhance the fit and focus of Distributing 2 and Controlled 1; and (iii) to minimize foreign withholding taxes on the movement of capital from Controlled 1 and among Parent’s worldwide group companies. Distribution 1 is

motivated, in whole or substantial part, by one or more of these corporate business purposes.

- k) No two parties to Distribution 1 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- l) Distribution 1 is not used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 1, or both.
- m) Distributing 2 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
- n) With the exception of trade accounts payable and/or receivable, no intercorporate debt will exist between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 1 (or any entity controlled directly or indirectly by Controlled 1) at the time of, or subsequent to, Distribution 1.
- o) Payments made in connection with all continuing transactions, between Distributing 2 and Controlled 1, will be for fair market value based on the terms and conditions arrived at by the parties bargaining at arm's length.
- p) Distribution 1 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7(a)(2)) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4) of the Code) in Distributing 2 or Controlled 1 (including any predecessor or successor of any such corporation).
- q) For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.
- r) For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 1 stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined

in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.

- s) Immediately after Distribution 1, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 2 or Controlled 1 who did not own such an interest before the transaction, or (ii) neither Distributing 2 nor Controlled 1 is or will be a disqualified investment corporation for purposes of § 355(g).
- t) Immediately before Distribution 1, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and Treas. Reg. § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
- u) The distribution of Controlled 1 stock to Distributing 2's shareholder in Distribution 1 is with respect to its ownership of Distributing 2 stock.
- v) Distributing 2, Controlled 1 and the Distributing 2 shareholder each will pay its own or their own expenses, if any, incurred in connection with Distribution 1.
- w) Neither Distributing 2 nor Controlled 1 has been or will be a United States real property holding corporation (within the meaning of section 897(c)(2) (USRPHC)) at any time during the five-year period ending on the date of Distribution 1, and neither Distributing 2 nor Controlled 1 will be a USRPHC immediately after Distribution 1.
- x) Distributing 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(b)-5(b)(3) in order to establish that Sub 1 is a corporation for purposes of applying Treas. Reg. § 1.367(b)-5(b)(1)(i).
- y) Distributing 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(e)-1(d)(2) in order to establish that Sub 1 is a qualified US person for purposes of applying Treas. Reg. § 1.367(e)-1.
- z) Sub 1 will be a section 1248 shareholder with respect to Controlled 1, within the meaning of Treas. Reg. § 1.1248(f)-1(c)(12), immediately after Distribution 1 (Treas. Reg. § 1.1248(f)-2(b)).
- aa) Distribution 1 will be an existing stock distribution (as defined in Treas. Reg. § 1.1248(f)-1(b)(2)) to which Distributing 2 and Sub 1 will elect to apply the provisions of Treas. Reg. § 1.1248(f)-2(b) in accordance with Treas. Reg. § 1.1248(f)-2(b)(1).

- bb) Immediately after Distribution 1, Sub 1 will, for purposes of Section 1248 and in accordance with Treas. Reg. § 1.1248(f)-2(b)(2), adjust its holding period in each share of stock of Controlled 1 received in Distribution 1 such that Sub 1's holding period in each share is equal to Distributing 2's holding period in the share at the time of Distribution 1. Sub 1 will, in accordance with Treas. Reg. § 1.1248(f)-2(b)(3), reduce its section 358 basis (as defined in Treas. Reg. § 1.1248(f)-1(c)(7)) in each share of stock of Controlled 1 received in Distribution 1 to the extent that Distributing 2's Section 1248 amount (as defined in Treas. Reg. § 1.1248(f)-1(c)(9)) with respect to the share exceeds Sub 1's postdistribution amount (as defined in Treas. Reg. § 1.1248(f)-1(c)(6)) with respect to the share.
- cc) At all times before Distribution 1, Controlled 1 has not been a passive foreign investment company ("PFIC") as defined in Section 1297(a)

REPRESENTATIONS RELATING TO DISTRIBUTION 2

- dd) Any indebtedness owed by Controlled 2 to Distributing 1 after Distribution 2 will not constitute stock or securities.
- ee) No part of the consideration to be distributed by Distributing 1 in Distribution 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- ff) Each of Distributing 1 and Controlled 2 will treat all members of its respective separate affiliated group as defined in section 355(b)(3)(B) (the "Distributing 1 SAG" and the "Controlled 2 SAG", respectively) as one corporation in determining whether the requirements of section 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.
- gg) The five years of financial information submitted on behalf of Business A conducted by the Distributing 1 SAG is representative of the corporation's present operation, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.
- hh) The five years of financial information submitted on behalf of Business C conducted by the Controlled 2 SAG is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- ii) Following the transaction, the Distributing 1 SAG will continue the active conduct of Business A, independently and with their separate employees.

- jj) Following the transaction, Controlled 2 SAG will continue the active conduct of Business C, independently and with its separate employees.
- kk) The Distributing 1 SAG neither acquired Business A nor acquired control of an entity conducting Business A during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business A. Throughout the five-year period preceding Distribution 2, the Distributing 1 SAG will have been the principal owner of the goodwill, if any, and significant assets of Business A. Following Distribution 2, the Distributing 1 SAG will continue to be the principal owner of the goodwill, if any, and significant assets of Business A.
- ll) The Controlled 2 SAG neither acquired Business C nor acquired control of an entity conducting Business C during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business C. Throughout the five-year period preceding Distribution 2, the Controlled 2 SAG will have been the principal owner of the goodwill, if any, and significant assets of Business C. Following Distribution 2, the Controlled 2 SAG will be the principal owner of the goodwill, if any, and significant assets of Business C.
- mm) Distribution 1 is carried out for the following corporate business purposes: (i) to achieve meaningful cost savings with respect to regulatory compliance and administration; (ii) to enhance the fit and focus of Distributing 1 and Controlled 2; and (iii) to minimize foreign withholding taxes on the movement of capital from Controlled 2 and among Parent's worldwide group of companies. Distribution 2 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- nn) No two parties to Distribution 2 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- oo) Distribution 2 is not used principally as a device for the distribution of the earnings and profits of any or all of Distributing 1 and Controlled 2.
- pp) Distributing 1 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
- qq) With the exception of trade accounts payable and/or receivable, no intercorporate debt will exist between Distributing 1 (or any entity controlled directly or indirectly by Distributing 1) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) at the time of, or subsequent to, Distribution 2.

- rr) Payments made in connection with all continuing transactions, between Distributing 1 and Controlled 2, will be for fair market value based on the terms and conditions arrived at by the parties bargaining at arm's length.
- ss) Distribution 2 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7(a)(2)) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4) of the Code) in Distributing 1 or Controlled 2 (including any predecessor or successor of any such corporation).
- tt) For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 1 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.
- uu) For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Distributing 1 stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.
- vv) Immediately after Distribution 2, either (i) no person will hold a 50% or greater interest (within the meaning of section 355(g)(3)) in the stock of Distributing 1 or Controlled 2 who did not own such an interest before the transaction, or (ii) neither Distributing 1 nor Controlled 2 is or will be a disqualified investment corporation for purposes of section 355(g).
- ww) Immediately before Distribution 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and Treas. Reg. § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
- xx) The distribution of Controlled 2 stock to Distributing 1's shareholder in Distribution 2 is with respect to their ownership of Distributing 1 stock.

- yy) Distributing 1, Controlled 2 and the Distributing 1 shareholder each will pay its own or their own expenses, if any, incurred in connection with Distribution 2.
- zz) Neither Distributing 1 nor Controlled 2 has been or will be a United States real property holding corporation (within the meaning of section 897(c)(2) (USRPHC) at any time during the five-year period ending on the date of Distribution 2, and neither Distributing 1 nor Controlled 2 will be a USRPHC immediately after Distribution 2.
- aaa) Distributing 1 will comply with the reporting procedures established under Treas. Reg. § 1.367(b)-5(b)(3) in order to establish that Distributing 2 is a corporation for purposes of applying Treas. Reg. § 1.367(b)-5(b)(1)(i).
- bbb) Distributing 1 will comply with the reporting procedures established under Treas. Reg. § 1.367(e)-1(d)(2) in order to establish that Distributing 2 is a qualified US person for purposes of applying Treas. Reg. § 1.367(e)-1.
- ccc) Distributing 2 will be a section 1248 shareholder with respect to Controlled 2, within the meaning of Treas. Reg. § 1.1248(f)-1(c)(12), immediately after Distribution 2 (Treas. Reg. § 1.1248(f)-2(b)).
- ddd) Distribution 2 will be an existing stock distribution (as defined in Treas. Reg. §1.1248(f)-1(b)(2)) to which Distributing 1 and Distributing 2 will elect to apply the provisions of Treas. Reg. §1.1248(f)-2(b) in accordance with Treas. Reg. §1.1248(f)-2(b)(1).
- eee) Immediately after Distribution 2, Distributing 2 will, for purposes of Section 1248 and in accordance with Treas. Reg. § 1.1248(f)-2(b)(2), adjust its holding period in each share of stock of Controlled 2 received in Distribution 2 such that Distributing 2's holding period in each share is equal to Distributing 1's holding period in the share at the time of Distribution 2. Distributing 2 will, in accordance with Treas. Reg. § 1.1248(f)-2(b)(3), reduce its Section 358 basis (as defined in Treas. Reg. § 1.1248(f)-1(c)(7)) in each share of stock of Controlled 2 received in Distribution 2 to the extent that Distributing 1's Section 1248 amount (as defined in Treas. Reg. §1.1248(f)-1(c)(9)) with respect to the share exceeds Distributing 2's postdistribution amount (as defined in Treas. Reg. § 1.1248(f)-1(c)(6)) with respect to the share.
- fff) At all times before Distribution 2, Controlled 2 has not been a passive foreign investment company ("PFIC") as defined in Section 1297(a).

REPRESENTATIONS RELATING TO DISTRIBUTION 3

- ggg) Any indebtedness owed by Controlled 2 to Distributing 2 after Distribution 3 will not constitute stock or securities.
- hhh) No part of the consideration to be distributed by Distributing 2 in Distribution 3 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- iii) Each of Distributing 2 and Controlled 2 will treat all members of its respective separate affiliated group as defined in § 355(b)(3)(B) (the “Distributing 2 SAG” and the “Controlled 2 SAG”, respectively) as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.
- jjj) The five years of financial information submitted on behalf of Business A conducted by the Distributing 2 SAG is representative of the present operation of the business, and there have been no substantial operational changes in the business since the date of the last financial statements submitted.
- kkk) The five years of financial information submitted on behalf of Business C conducted by the Controlled 2 SAG is representative of the present operation of the business, and there have been no substantial operational changes in the business since the date of the last financial statements submitted.
- III) Following the transaction, the Distributing 2 SAG will continue the active conduct of Business A, independently and with their separate employees.
- mmm) Following the transaction, Controlled 2 SAG will continue the active conduct of Business C, independently and with its separate employees.
- nnn) The Controlled 2 SAG neither acquired Business C nor acquired control of an entity conducting Business C during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business C. Throughout the five-year period preceding Distribution 3, the Controlled 2 SAG will have been the principal owner of the goodwill, if any, and significant assets of Business C. Following Distribution 3, the Controlled 2 SAG will be the principal owner of the goodwill, if any, and significant assets of Business C.
- ooo) The Distributing 2 SAG neither acquired Business A nor acquired control of an entity conducting Business A during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized in whole or in part, excluding in each case acquisitions that constitute expansions, as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii), of Business A. Throughout the five-year period preceding Distribution 3, the Distributing 2 SAG will have been

the principal owner of the goodwill, if any, and significant assets of Business A. Following Distribution 3, the Distributing 2 SAG will continue to be the principal owner of the goodwill, if any, and significant assets of Business A.

- ppp) Distribution 3 is carried out for the following corporate business purposes: (i) to achieve meaningful cost savings with respect to regulatory compliance and administration; (ii) to enhance the fit and focus of Distributing 2 and Controlled 2; and (iii) to minimize foreign withholding taxes on the movement of capital from Controlled 2 and among Parent's worldwide group of companies. Distribution 3 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- qqq) No two parties to Distribution 3 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- rrr) Distribution 3 is not used principally as a device for the distribution of the earnings and profits of any or all of Distributing 2 and Controlled 2.
- sss) Distributing 2 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
- ttt) With the exception of trade accounts payable and/or receivable, no intercorporate debt will exist between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) at the time of, or subsequent to, Distribution 3.
- uuu) Payments made in connection with all continuing transactions, between Distributing 2 and Controlled 2, will be for fair market value based on the terms and conditions arrived at by the parties bargaining at arm's length.
- vvv) Distribution 3 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7(a)(2)) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4) of the Code) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).
- www) For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.

- xxx) For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.
- yyy) Immediately after Distribution 3, either (i) no person will hold a 50% or greater interest (within the meaning of section 355(g)(3)) in the stock of Distributing 2 or Controlled 2 who did not own such an interest before the transaction, or (ii) neither Distributing 2 nor Controlled 2 is or will be a disqualified investment corporation for purposes of section 355(g).
- zzz) Immediately before Distribution 3, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and Treas. Reg. § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597).
- aaaa) The distribution of Controlled 2 stock to Distributing 2's shareholder in Distribution 3 is with respect to its ownership of Distributing 2 stock.
- bbbb) Distributing 2, Controlled 2 and the Distributing 2 shareholder each will pay its own or their own expenses, if any, incurred in connection with Distribution 3.
- cccc) Neither Distributing 2 nor Controlled 2 has been or will be a United States real property holding corporation (within the meaning of section 897(c)(2) (USRPHC)) at any time during the five-year period ending on the date of Distribution 3, and neither Distributing 2 nor Controlled 2 will be a USRPHC immediately after Distribution 3.
- dddd) Distributing 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(b)-5(b)(3) in order to establish that Sub 1 is a corporation for purposes of applying Treas. Reg. § 1.367(b)-5(b)(1)(i).
- eeee) Distributing 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(e)-1(d)(2) in order to establish that Sub 1 is a qualified US person for purposes of applying Treas. Reg. § 1.367(e)-1.

- ffff) Sub 1 will be a section 1248 shareholder with respect to Controlled 2, within the meaning of Treas. Reg. § 1.1248(f)-1(c)(12), immediately after Distribution 3 (Treas. Reg. § 1.1248(f)-2(b)).
- gggg) Distribution 3 will be an existing stock distribution (as defined in Treas. Reg. § 1.1248(f)-1(b)(2)) to which Distributing 2 and Sub 1 will elect to apply the provisions of Treas. Reg. § 1.1248(f)-2(b) in accordance with Treas. Reg. § 1.1248(f)-2(b)(1).
- hhhh) Immediately after Distribution 3, Sub 1 will, for purposes of section 1248 and in accordance with Treas. Reg. § 1.1248(f)-2(b)(2), adjust its holding period in each share of stock of Controlled 2 received in Distribution 3 such that Sub 1's holding period in each share is equal to Distributing 2's holding period in the share at the time of Distribution 3. Sub 1 will, in accordance with Treas. Reg. § 1.1248(f)-2(b)(3), reduce its section 358 basis (as defined in Treas. Reg. § 1.1248(f)-1(c)(7)) in each share of stock of Controlled 2 received in Distribution 3 to the extent that Distributing 2's Section 1248 amount (as defined in Treas. Reg. § 1.1248(f)-1(c)(9)) with respect to the share exceeds Sub 1's postdistribution amount (as defined in Treas. Reg. § 1.1248(f)-1(c)(6)) with respect to the share.

RULINGS RELATING TO DISTRIBUTION 1

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled 1 stock to Distributing 2's shareholder in Distribution 1 is with respect to its ownership of Distributing 2 stock, and (ii) any other transfer of stock, money, or property between Distributing 2, Controlled 1, or any Distributing 2 shareholder and any person related to Distributing 2, Controlled 1, or any Distributing 2 shareholder is respected as a separate transaction, we rule as follows:

- (1) Distribution 1 will be considered a distribution described in section 355.
- (2) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 upon receipt of the Controlled 1 stock in Distribution 1. Section 355(a)(1).
- (3) No gain or loss will be recognized by Distributing 2 on Distribution 1. Section 355(c).
- (4) The basis of the Distributing 2 stock and the Controlled 1 stock in the hands of the shareholder of Distributing 2 after Distribution 1 will be the same as the basis of the Distributing 2 stock held by such shareholder, allocated between Distributing 2 stock and the Controlled 1 stock in proportion to the fair market

value of each in accordance with Treas. Reg. §§ 1.358-1(a) and 1.358-2(a)(2). Sections 358(a) through (c).

- (5) The holding period of the Controlled 1 stock received by the shareholders of Distributing 2 will include the holding period of their Distributing 2 stock with respect to which Distribution 1 was made, provided that such Distributing 2 stock is held as a capital asset on the date of Distribution 1. Section 1223(1).
- (6) Earnings and profits will be allocated between Distributing 2 and Controlled 1 in accordance with § 312(h) and Treas. Reg. § 1.312-10(b).
- (7) Distribution 1 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(b)(1)(i) and -5(b)(4) apply.
- (8) Distributing 2 will not recognize gain or loss under section 367(e)(1) on Distribution 1. Treas. Reg. § 1.367(e)-1(b)(1).
- (9) Distributing 2 will not be required under Treas. Reg. § 1.1248(f)-1(b)(2) to include in gross income as a dividend the section 1248 amount with respect to the stock of Controlled 1 distributed to Sub 1. Treas. Reg. § 1.1248(f)-2(b).

RULINGS RELATING TO DISTRIBUTION 2

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled 2 stock to Distributing 1's shareholder in Distribution 2 is with respect to its ownership of Distributing 1 stock, and (ii) any other transfer of stock, money, or property between Distributing 1, Controlled 2, or any Distributing 1 shareholder and any person related to Distributing 1, Controlled 2, or any Distributing 1 shareholder is respected as a separate transaction, we rule as follows:

- (10) Distribution 2 will be considered a distribution described in section 355.
- (11) No gain or loss will be recognized by (and no amount will be included in the income of) Distributing 1 upon the deemed receipt of the Controlled 2 stock in Distribution 2. Section 355(a)(1).
- (12) No gain or loss will be recognized by Distributing 1 on Distribution 2. Section 355(c).
- (13) The basis of the Distributing 1 stock and the Controlled 2 stock in the hands of the shareholders of Distributing 1 after Distribution 2 will be the same as the basis of the Distributing 1 stock held by such shareholder, allocated between Distributing 1 stock and the Controlled 2 stock in proportion to the fair market

value of each in accordance with Treas. Reg. §§ 1.358-1(a) and 1.358-2(a)(2). Sections 358(a) through (c).

- (14) The holding period of the Controlled 2 stock received by the shareholders of Distributing 1 will include the holding period of their Distributing 1 stock with respect to which Distribution 2 was made, provided that such Distributing 1 stock is held as a capital asset on the date of Distribution 2. Section 1223(1).
- (15) Earnings and profits will be allocated between Distributing 1 and Controlled 2 in accordance with § 312(h) and Treas. Reg. § 1.312-10(b).
- (16) Distribution 2 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(b)(1)(i) and -5(b)(4) apply.
- (17) Distributing 1 will not recognize gain or loss under section 367(e)(1) on Distribution 2. Treas. Reg. § 1.367(e)-1(b)(1).
- (18) Distributing 1 will not be required under Treas. Reg. § 1.1248(f)-1(b)(2) to include in gross income as a dividend the section 1248 amount with respect to the stock of Controlled 2 distributed to Distributing 2. Treas. Reg. § 1.1248(f)-2(b).

RULINGS RELATING TO DISTRIBUTION 3

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled 2 stock to Distributing 2's shareholder in Distribution 3 is with respect to its ownership of Distributing 2 stock, and (ii) any other transfer of stock, money, or property between Distributing 2, Controlled 2, or any Distributing 2 shareholder and any person related to Distributing 2, Controlled 2, or any Distributing 2 shareholder is respected as a separate transaction, we rule as follows:

- (19) Distribution 3 will be considered a distribution described in section 355.
- (20) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 upon the deemed receipt of the Controlled 2 stock in Distribution 3. Section 355(a)(1).
- (21) No gain or loss will be recognized by Distributing 2 on Distribution 3. Section 355(c).
- (22) The basis of the Distributing 2 stock and the Controlled 2 stock in the hands of the shareholders of Distributing 2 after Distribution 3 will be the same as the basis of the Distributing 2 stock held by such shareholder, allocated between Distributing 2 stock and the Controlled 2 stock in proportion to the fair market

value of each in accordance with Treas. Reg. §§ 1.358-1(a) and 1.358-2(a)(2). Sections 358(a) through (c).

- (23) The holding period of the Controlled 2 stock received by the shareholders of Distributing 2 will include the holding period of their Distributing 2 stock with respect to which Distribution 3 was made, provided that such Distributing 2 stock is held as a capital asset on the date of Distribution 3. Section 1223(1).
- (24) Earnings and profits will be allocated between Distributing 2 and Controlled 2 in accordance with § 312(h) and Treas. Reg. § 1.312-10(b).
- (25) Distribution 3 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(b)(1)(i) and -5(b)(4) apply.
- (26) Distributing 2 will not recognize gain or loss under section 367(e)(1) on Distribution 3. Treas. Reg. § 1.367(e)-1(b)(1).
- (27) Distributing 2 will not be required under Treas. Reg. § 1.1248(f)-1(b)(2) to include in gross income as a dividend the section 1248 amount with respect to the stock of Controlled 2 distributed to Sub 1. Treas. Reg. § 1.1248(f)-2(b).

CAVEATS

No opinion is expressed about the federal income tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether any distribution satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b);
- (ii) Whether any distribution is used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d));
- (iii) Whether any distribution and any acquisition or acquisitions are part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii);
- (iv) Any and all federal income tax consequences relating to steps (i) through (vi), (viii), (x), and (xi) of the Proposed Transaction, including the qualification of step (vi) as a reorganization to which section 368(a)(1)(F) applies and of steps (ii) and (xi) as transfers to which section 304 applies.

PROCEDURAL STATEMENTS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

Sincerely,

Isaac W. Zimbalist
Senior Technician Reviewer
Office of Associate Chief Counsel (Corporate)